

DATE OF DOC	DATE REC'D	DATE OUT	SUSPENSE DATE	CROSS REFERENCE OR POINT OF FILING																				
24 May 82	25 May 82																							
TO Multiple Addressees FROM Becky Norton Dunlop SUBJ. Cabinet Council on Economic Affairs				<table border="1"> <tr> <th>ROUTING</th> <th>DATE SENT</th> </tr> <tr> <td>AS/ADM</td> <td></td> </tr> <tr> <td>CINIC</td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> <tr> <td></td> <td></td> </tr> </table>	ROUTING	DATE SENT	AS/ADM		CINIC															
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Routing Slip

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5	DDI		✓		
6	DDA				
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9	Chm/NIC		✓		
10	GC				
11	IG				
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13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
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Remarks:

Executive Secretary
5/26/82
Date

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CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 5/24/82 NUMBER: 068979 CA DUE BY: -----
SUBJECT: Cabinet Council on Economic Affairs -- MINUTES

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman (<i>For WH Staffing</i>)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Gray	<input type="checkbox"/>	<input type="checkbox"/>
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Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>			
UN	<input type="checkbox"/>	<input type="checkbox"/>			
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CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCCT/Kass	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Attached are the minutes for the May 20, 1982 meeting of the Cabinet Council on Economic Affairs.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

MINUTES
CABINET COUNCIL ON ECONOMIC AFFAIRS

May 20, 1982
8:45 a.m.
Roosevelt Room

Attendees: Messrs. Regan, Block, Donovan, Lewis, Weidenbaum, Harper, Porter, Macdonald, Leland, Dederick, Ernst, Johnston, Baroody, Jordan, Gray, Robinson, Johnston, Nau, Hemel, Cicconi, Smith, Thompson, and Garrett, and Ms. Dunlop

1. LDC Financial Problems

The Council reviewed a paper on LDC financial problems, focusing on the Mexican and Argentine economic and debt situations, prepared by the Department of the Treasury.

Mr. Leland's presentation focused on the causes and consequences of the recent deterioration of Mexico's and Argentina's foreign debt situations. His review of Mexico's debt problems included discussion of the ineffectiveness of current Mexican efforts to control the value of the peso relative to other foreign currencies, the depletion of the Mexican government's foreign exchange reserves as a result of its intervening in world currency markets, the likely domestic consequences of a further devaluation of the peso, the reasons why Mexican leaders are unwilling to seek assistance from the International Monetary Fund (IMF), likely Mexican requests for financial support from the U.S. Treasury and Federal Reserve Board, and the exposure of U.S. financial institutions -- particularly commercial banks -- to Mexican debt repayment problems.

Mr. Leland's review of Argentina's debt situation included discussion of Argentina's current efforts to convince foreign creditors that it will meet its debt obligations, the amount of Argentine debt held by U.S. banks, the likelihood of a re-scheduling of Argentine debt within the near future, the effects of future developments in the Falkland Islands crisis on the prospects for Argentine debt repayment, and the likelihood of IMF intervention in Argentina should a debt re-scheduling occur.

The Council's discussion of the Mexican debt situation centered on the volume of U.S. bank loans to Mexico, the problems that the Mexican government would have with the conditionality requirements associated with receiving financial

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assistance from the IMF, the problems of defining a "single borrower" in attempting to regulate the exposure of U.S. banks to foreign debt defaults, how the Mexican government has spent its oil revenues and foreign borrowings, the attitudes of the U.S. trade community in Mexico to that country's economic problems, Mexico's issuing of oil-backed bonds and the prospect of its selling oil futures contracts to raise current revenues, and the likelihood of increased import protection in Mexico in an effort to sustain the value of the peso.

The Council's discussion of the Argentine debt situation centered on the effects of the Falkland Islands problem on Argentina's economic situation and the cumulative impacts on U.S. commercial banks if both a Mexican and Argentine default or rescheduling should occur. The Council also discussed the effects of the Argentine and Mexican debt situations on the borrowing capabilities of other Latin American nations and the adequacy of mechanisms established by the U.S. Treasury and Federal Reserve Board for handling bank failures resulting from major debt losses.

2. Polish and East European Debt

The Council reviewed a paper examining the debt situations of Poland, Romania, Hungary, and Yugoslavia, prepared by the Department of the Treasury.

Mr. Leland began his presentation by reviewing congressional developments regarding an amendment to the Urgent Supplemental Appropriations Bill which would increase pressures for the U.S. government to declare Poland in default on its international loans. Mr. Leland explained that the amendment would require the U.S. to declare Poland in default unless the President certified that avoidance of default was justified on national security grounds, and described the misperception in the Congress and the media that the federal government is pressuring commercial banks not to declare a Polish default. He also explained the differing political ramifications between a default declared by commercial interests and one declared by the U.S. government and the reasons why a U.S. government declaration of default has not occurred to date. Mr. Leland then reviewed briefly the debt situations of the other Eastern European nations and the impacts on their borrowing capabilities if a Polish default were to occur.

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The Council's discussion centered on prospective debt repayment problems among the Eastern Bloc nations, the volume of West German loans to East Germany, the relationships between a country's debt repayment prospects and its rate of real GNP growth, and the differences in the likelihood of major defaults in Eastern Europe and Latin America.